

477-000-031 – Real Property Sold on Contract

When real property is sold on contract rather than an outright full purchase, certain conditions of the contract must be met to verify adequate compensation and to avoid applicable deprivation of resources policy. These conditions are:

1. Current fair market value must be used for the sale/purchase agreement.
2. The contract period must not exceed the life expectancy of the participant. (See Life Expectancy Table and Deprivation of Resources reference.)
3. The contract must not include balloon payments. (See Deprivation of Resources reference regarding equal payments.)
4. Appropriate default language for recovery upon failure to make scheduled payment.
5. Contract balance/scheduled payments cannot be forgiven during the life of the contract, i.e., no exculpatory or cancellation terms.
6. Appropriate interest rate on unpaid balance.
7. Payments must commence immediately.
8. Amortization schedule to demonstrate #2, #6, and #7.

These are general guidelines that are used to verify adequate compensation to the participant for the contract sale. Central Office Public Assistance staff may assist the Local Office in making the determination.